

TOWNSHIP OF SEBEWA
IONIA COUNTY, MICHIGAN

FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2004

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AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>Sebeva</i>	County <i>Genoa</i>
Audit Date <i>3/13/04</i>	Opinion Date <i>6/24/04</i>	Date Accountant Report Submitted to State: <i>7/30/04</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<i>✓</i>		
Reports on individual federal financial assistance programs (program audits).			<i>✓</i>
Single Audit Reports (ASLGU).			<i>✓</i>

Certified Public Accountant (Firm Name) <i>Barry E. Gaudet, CPA, PC</i>			
Street Address <i>1107 E. 8th Street</i>	City <i>Traverse City</i>	State <i>MI</i>	ZIP <i>49686</i>
Accountant Signature <i>Barry E. Gaudet, CPA</i>			

INTRODUCTORY SECTION

TOWNSHIP OF SEBEWA

ORGANIZATION

MARCH 31, 2004

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TOWNSHIP OFFICIALS AND BOARD MEMBERS

James A. Stank	Supervisor
Brian Pinkston	Clerk
LaVern E. Carr	Treasurer
Joan M. Guy	Trustee
Grayden Slowins	Trustee

OTHER TOWNSHIP OFFICIALS

Delores Stank	Deputy Supervisor
Sue Pinkston	Deputy Clerk
Helen Carr	Deputy Treasurer
James A. Stank	Assessor

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

Members of the Township Board
Township of Sebewa
Ionia County, Michigan

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Independent Auditor's Report

We have audited the accompanying financial statements of the Township of Sebewa, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township of Sebewa's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Township of Sebewa, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Sebewa. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Barry E. Gaudette, CPA, P.C.

June 24, 2004

FINANCIAL SECTION

TOWNSHIP OF SEBEWA
COMBINED BALANCE SHEETS
ALL FUND TYPES AND ACCOUNT GROUP
MARCH 31, 2004

=====

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<u>ASSETS</u>		
Cash	\$ 160,751	\$
Certificates of deposit		131,058
Due from other funds	666	
Land		
Buildings		
Machinery and equipment		
TOTAL ASSETS	<u>\$ 161,417</u>	<u>\$ 131,058</u>
<u>LIABILITIES & FUND EQUITY</u>		
LIABILITIES:		
Due to other governmental units	\$	\$
Due to other funds		
TOTAL LIABILITIES		
FUND EQUITY:		
Investment in general fixed assets		
Fund balances:		
Reserved		
Designated		131,058
Undesignated	<u>161,417</u>	
TOTAL FUND EQUITY	<u>161,417</u>	<u>131,058</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 161,417</u>	<u>\$ 131,058</u>

See notes to financial statements

<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>	
<u>Trust and Agency</u>	<u>General Fixed Assets</u>	March 31, <u>2004</u>	<u>2003</u>
\$ 666	\$	\$ 161,417	\$ 193,928
3,671		134,729	113,491
	9,000	666	16,464
	29,359	9,000	9,000
	42,012	29,359	29,359
		42,012	42,012
<u>\$ 4,337</u>	<u>\$ 80,371</u>	<u>\$ 377,183</u>	<u>\$ 404,254</u>
\$ 666	\$	\$ 666	\$ 16,464
666		666	16,464
	80,371	80,371	80,371
3,671		3,671	3,663
		131,058	109,828
		161,417	193,928
<u>3,671</u>	<u>80,371</u>	<u>376,517</u>	<u>387,790</u>
<u>\$ 4,337</u>	<u>\$ 80,371</u>	<u>\$ 377,183</u>	<u>\$ 404,254</u>

TOWNSHIP OF SEBEWA
**STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES**
 FOR THE YEAR ENDED MARCH 31, 2004

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	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
REVENUES:		
Taxes	\$ 125,050	\$
State grants	92,845	
Charges for services	9,592	
Interest and rents	3,115	1,230
Other	<u>1,660</u>	
TOTAL REVENUES	<u>232,262</u>	<u>1,230</u>
EXPENDITURES:		
Current:		
Legislative	14,964	
General government	41,308	
Public safety	57,275	
Public works	97,502	
Culture & recreation	350	
Unallocated	16,911	
Capital Outlay		
TOTAL EXPENDITURES	<u>228,310</u>	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,952	1,230
OTHER FINANCING SOURCES (USES):		
Operating transfers in		20,000
Operating transfers (out)	<u>(20,000)</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(16,048)	21,230
FUND BALANCE, beginning	<u>177,465</u>	<u>109,828</u>
FUND BALANCE, ending	<u>\$ 161,417</u>	<u>\$ 131,058</u>

See notes to financial statements

Totals (Memorandum Only)

Year Ended

March 31,

<u>2004</u>	<u>2003</u>
\$ 125,050	\$ 120,594
92,845	100,679
9,592	8,033
4,345	5,727
<u>1,660</u>	<u>2,049</u>
<u>233,492</u>	<u>237,082</u>
14,964	17,791
41,308	39,714
57,275	54,389
97,502	85,666
350	350
16,911	15,400
<u>228,310</u>	<u>213,310</u>
5,182	23,772
20,000	
<u>(20,000)</u>	<u></u>
5,182	23,772
<u>287,293</u>	<u>279,984</u>
<u>\$ 292,475</u>	<u>\$ 303,756</u>

TOWNSHIP OF SEBEWA
**STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED MARCH 31, 2004**

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	General Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 126,220	\$ 125,050	\$ (1,170)
State grants	95,000	92,845	(2,155)
Charges for services	7,700	9,592	1,892
Interest	2,000	3,115	1,115
Other	600	1,660	1,060
TOTAL REVENUES	<u>231,520</u>	<u>232,262</u>	<u>742</u>
EXPENDITURES:			
Current:			
Legislative	22,750	14,964	7,786
General government	48,000	41,308	6,692
Public safety	58,926	57,275	1,651
Public works	90,000	97,502	(7,502)
Culture & recreation	1,100	350	750
Unallocated	18,600	16,911	1,689
TOTAL EXPENDITURES	<u>239,376</u>	<u>228,310</u>	<u>11,066</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,856)	3,952	11,808
OTHER FINANCING SOURCES (USES):			
Operating transfers in			
Operating transfers (out)	<u>(20,000)</u>	<u>(20,000)</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(27,856)	(16,048)	11,808
FUND BALANCE, beginning	<u>100,587</u>	<u>177,465</u>	<u>76,878</u>
FUND BALANCE, ending	<u>\$ 72,731</u>	<u>\$ 161,417</u>	<u>\$ 88,686</u>

See notes to financial statements

<u>Special Revenue Funds</u>		
<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$	\$	\$
	1,230	1,230
	1,230	1,230
	1,230	1,230
20,000	20,000	
20,000	21,230	1,230
109,828	109,828	
<u>\$ 129,828</u>	<u>\$ 131,058</u>	<u>\$ 1,230</u>

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The Township of Sebewa (Township) complies with Generally Accepted Accounting Principles (GAAP). The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Township's Financial activities for the fiscal year ended March 31, 2004.

B. Reporting Entity

The Township of Sebewa is located in the south and central area of Ionia County. It is mainly a rural farming area with a population of 1,202. The Township operates under an elected Board and provides services to its residents in many areas including public safety (fire and ambulance), street development and maintenance and general administrative services.

In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in NCGA Statement 3. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Township's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Township and/or its citizens, or

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Reporting Entity - Continued

whether the activity is conducted within the geographic boundaries of the Township and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the financial statements of certain other governmental organizations are not included in these financial statements.

C. Funds and Account Groups

The accounts of the Township are organized on the basis of funds and an account group each of which is considered to be a separate accounting entity.

The major fund categories and account groups are:

Governmental Fund Type

These funds are those through which most governmental functions typically are financed. The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of the financial resources) rather than upon net income. The following is a description of the Governmental Fund Type of the Township:

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, State and Federal distributions, grants and other intergovernmental revenues.

Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. This fund is the Capital Improvement Fund for roads.

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Funds and Account Groups - Continued

Fiduciary Fund Types

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The Fiduciary Fund Types of the Township are as follows:

Non-Expendable Trust Fund

The focus of Non-Expendable Trust Fund measurement is upon determination of net income, financial position and changes in financial position. The Cemetery Trust Fund is a Non-Expendable Trust Fund. There was a increase of \$8 in the asset balance of \$3,671.

Trust and Agency Fund

Trust and Agency Funds are purely custodial in nature and thus, do not involve measurement of results of operations. The Township's Tax Collection Fund is an Agency Fund.

Account Group

Account Groups are not funds; they do not reflect available financial resources and related liabilities, but are accounting records of the following:

General Fixed Asset Account Group

The General Fixed Asset Account Group is used to maintain control and cost information for all fixed assets of the Township utilized in its general operations.

D. Total Columns (Memorandum Only)

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Modified Accrual

All Governmental Funds (General Fund) and the Non-Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, property taxes and other revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seem certain.

F. Budgets

Annual operating budgets are adopted by the Township Board for the General Fund in accordance with Public Act 621 of 1978.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Board submits a proposed operating budget for the year commencing the following April 1st. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Budgets - Continued

- c. Prior to March 31st, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the Township Board as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was amended during the year. The budget to actual expenditures in the financial statements represent the original budgetary expenditures as adopted by the Township Board.

G. Encumbrance System

The Township does not use an encumbrance system.

H. Assets and Liabilities

1. Cash and investments

Michigan Compiled Laws, Section 129.91, authorizes the Township of Sebewa to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications,

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Assets and Liabilities - Continued

1. Cash and Investments - Continued

which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township Board uses two banks for the deposit of Township funds.

The Township's deposits and investments are in accordance with statutory authority.

2. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund inventories are not recorded.

3. Capitalized Interest

Generally accepted accounting principles require that interest expenditures incurred during construction of assets be capitalized. They are capitalized only to the extent that interest cost exceeds interest earned on related interest bearing investments. The Township did not capitalize interest on fixed assets in the current year.

4. Fixed Assets and Depreciation

Property, plant, and equipment of all funds are stated at historical cost. Donated fixed assets are stated at their fair market value on the date donated. Governmental fund fixed assets are recorded in the General Fixed Asset Account Group and are not depreciated.

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Allowance for Doubtful Accounts

The Township does not use an allowance for doubtful accounts.

J. Accrued Vacation and Sick Leave

The Township does not account for employee accrued sick and vacation pay. The Township does not have a sick or vacation pay policy.

K. Fund Balance Reserve

The Fund Balance Reserve reflects an offset for restricted cash of the Cemetery Trust Fund and prepaid insurance. Under the modified accrual basis of accounting, if restricted cash and prepaid insurance are reported in the financial statements, it is to be equally offset by a fund balance reserve account. This indicates that even though restricted cash and prepaid insurance are components of net current assets, they do not represent "available spendable resources." The fund balance reserve indicates that the restricted cash and prepaid insurance, reported on the financial statements, are designated for a specific use and, therefore, are not "available spendable resources."

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in budgetary funds which were in excess of the amounts appropriated as follows:

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2004
 (Continued)

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NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS - Continued

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund:			
Public Safety:			
Fire Department	\$ 50,926	\$ 51,077	\$(151)
Public Works:			
Road Commission	80,000	92,302	(12,302)
Unallocated:			
Miscellaneous		1,833	(1,833)

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS

A. Assets

1. Deposits and Investments

The Township's deposits are in accordance with statutory authority. The GASB Statement No. 3 risk disclosure for the Township's cash deposits are as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Insured (FDIC)	\$ 298,530	\$ 296,146
Uninsured		
Total	<u>\$ 298,530</u>	<u>\$ 296,146</u>

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2004
 (Continued)

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NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

A. Assets - Continued

2. Property Taxes Receivable and Property Tax Calendar

The Township's Total Taxable Valuation is \$26,091,698.

2.8355 mills were assessed for roads and general operating purposes. There is also a special assessment district for the Fire District with an adjusted tax levy of \$51,073.94. Delinquent property taxes, special assessments and administration fees were turned over to Ionia County for collection in the amount of \$7,817.41. Ionia County pays the Township on or before June 30th of each year. The County also sends the delinquent collection fees. The property taxes attach as an enforceable lien on property as of December 1st. Taxes are levied December 1st and are payable through March 1st. All taxes not paid by March 1st are deemed delinquent.

	<u>Mills</u>	<u>Adjusted Levy</u>	<u>Collections</u>	<u>Delinquent</u>
Township-operating	.8581	\$ 22,386	\$ 20,990	\$ 1,396
Township-roads	<u>1.9774</u>	<u>51,590</u>	<u>48,373</u>	<u>3,217</u>
	<u>2.8355</u>	<u>\$ 73,976</u>	<u>\$ 69,363</u>	<u>\$ 4,613</u>

3. Property and Equipment

A summary of the changes in general fixed assets follows:

	<u>04/01/03 Balance</u>	<u>Additions</u>	<u>03/31/04 Balance</u>
Township hall	\$ 25,000	\$	\$ 25,000
Office equipment			
and voting machines	20,074		20,074
Cemetery Land	9,000		9,000
Cemetery Equipment	21,938		21,938
Cemetery Buildings	<u>4,359</u>		<u>4,359</u>
Total	<u>\$ 80,371</u>	<u>\$</u>	<u>\$ 80,371</u>

There were no additions or retirements of general fixed assets during the year.

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

B. Liabilities

1. Risk management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal League & Property Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation.

This policy complies with Act 294, P.A. 1972, as amended.

NOTE 4: RETIREMENT PLAN

The Township paid \$5,527 to fund a defined contribution pension plan for its salaried employees for the fiscal year 2003/2004. The plan is funded by both the employees (25%) and the Township (75%). The pension plan was effective as of April 1, 1984. There is no minimum age or service requirement. Voluntary non-deductible contributions are allowed between 1% to 10% of compensation. Vesting is 100% upon completion of 20 months of service. The vested benefit attributable to employer contributions is available in cash. The normal retirement age is when attaining age 65 or if later on the 10th anniversary of entry date. An optional retirement is permitted any time after age 55.

NOTE 5: INDIVIDUAL FUNDS PRESENTATION

The General Fund is the only fund of its individual fund kind. Therefore, it is not presented in a combining statement in the supplemental data portion of this report.

NOTE 6: RELATED PARTY TRANSACTIONS

Nothing came to our attention during the audit effort that would warrant separate mention related to transactions between the Township and its employees and/or elected officials.

TOWNSHIP OF SEBEWA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 7: SUBSEQUENT EVENTS

No subsequent events have come to our attention that require disclosure at this time.

NOTE 8: COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative (i.e. presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 9: RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2003/2004 presentation.

SUPPLEMENTARY DATA SECTION

Combining and Individual Fund Statements

TOWNSHIP OF SEBEWA
COMPARATIVE BALANCE SHEET
GENERAL FUND
MARCH 31, 2004 AND 2003
=====

	March 31, <u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$160,751	\$177,465
Due from other funds	<u>666</u>	<u> </u>
TOTAL ASSETS	<u>\$161,417</u>	<u>\$177,465</u>
 <u>LIABILITIES & FUND EQUITY</u>		
LIABILITIES:		
Due to other funds	\$ <u> </u>	\$ <u> </u>
TOTAL LIABILITIES	<u> </u>	<u> </u>
FUND EQUITY:		
Fund balances:		
Reserved	\$ <u> </u>	\$ <u> </u>
Undesignated	<u>161,417</u>	<u>177,465</u>
TOTAL FUND EQUITY	<u>161,417</u>	<u>177,465</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$161,417</u>	<u>\$177,465</u>

TOWNSHIP OF SEBEWA
COMPARATIVE BALANCE SHEET
CEMETERY TRUST FUND
MARCH 31, 2004 AND 2003
=====

	March 31, <u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Certificates of deposit	\$ <u>3,671</u>	\$ <u>3,663</u>
TOTAL ASSETS	\$ <u>3,671</u>	\$ <u>3,663</u>
<u>FUND BALANCE</u>		
FUND BALANCE:		
Reserved	\$ <u>3,671</u>	\$ <u>3,663</u>
TOTAL FUND BALANCE	\$ <u>3,671</u>	\$ <u>3,663</u>

TOWNSHIP OF SEBEWA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

=====

	Original Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$126,220	\$125,050	\$(1,170)
State grants	95,000	92,845	(2,155)
Charges for services	7,700	9,592	1,892
Interest	2,000	3,115	1,115
Other	600	1,660	1,060
TOTAL REVENUES	<u>231,520</u>	<u>232,262</u>	<u>742</u>
EXPENDITURES:			
Current:			
Legislative:			
Township Board:			
Salaries	2,400	2,400	
Office expenses	13,000	9,249	
Dues	750	601	
Conferences & schooling	5,000	2,501	
Printing & publishing	1,600	213	
	<u>22,750</u>	<u>14,964</u>	<u>7,786</u>
Total Legislative	<u>22,750</u>	<u>14,964</u>	<u>7,786</u>
General Government:			
Supervisor:			
Salary	2,800	2,800	
Elections:			
Salaries	2,000		2,000
Assessor:			
Salary	7,200	7,200	
Clerk:			
Salary	8,700	8,700	
Board Of Review:			
Salaries	600	600	

TOWNSHIP OF SEBEWA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2004
 (Continued)

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES CONT:			
General Government Cont:			
Treasurer:			
Salary	10,500	10,500	
Cemetery:			
Salaries	5,200	5,200	
Supplies and grave openings	5,500	3,777	1,723
Hall & Grounds:			
Supplies	3,000	956	2,044
Legal & Audit:			
Independent audit	2,000	1,575	425
Legal services	<u>500</u>	<u> </u>	<u>500</u>
Total General Government	<u>48,000</u>	<u>41,308</u>	<u>6,692</u>
Public Safety:			
Fire Department:			
Fire service	50,926	51,077	(151)
Ambulance:			
Ambulance service	<u>8,000</u>	<u>6,198</u>	<u>1,802</u>
Total Public Safety	<u>58,926</u>	<u>57,275</u>	<u>1,651</u>
Public Works:			
Road Commission	80,000	92,302	(12,302)
Drain at Large	<u>10,000</u>	<u>5,200</u>	<u>4,800</u>
Total Public Works	<u>90,000</u>	<u>97,502</u>	<u>(7,502)</u>

TOWNSHIP OF SEBEWA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

(Continued)

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
=====			
EXPENDITURES CONT:			
Culture and Recreation:			
Parks	<u>1,100</u>	<u>350</u>	<u>750</u>
Unallocated:			
Miscellaneous		1,833	(1,833)
Social security tax	3,500	2,946	554
Pension expense	6,000	3,797	2,203
Group insurance	4,500	3,505	995
General insurance	3,500	3,850	(350)
Insurance workmens comp.	<u>1,100</u>	<u>980</u>	<u>120</u>
Total Unallocated	<u>18,600</u>	<u>16,911</u>	<u>1,689</u>
TOTAL EXPENDITURES	<u>239,376</u>	<u>228,310</u>	<u>11,066</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,856)	3,952	11,808
OTHER FINANCING SOURCES (USES):			
Operating transfers (out)	<u>(20,000)</u>	<u>(20,000)</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(27,856)	(16,048)	11,808
FUND BALANCE, beginning	<u>100,587</u>	<u>177,465</u>	<u>76,878</u>
FUND BALANCE, ending	<u>\$ 72,731</u>	<u>\$161,417</u>	<u>\$ 88,686</u>

TOWNSHIP OF SEBEWA
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION FUND
AGENCY FUND

FOR THE YEAR ENDED MARCH 31, 2004

=====

	Balance <u>04/01/03</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>03/31/04</u>
<u>ASSETS</u>				
Cash	\$ 16,464	\$ 712,229	\$ 728,027	\$ 666
TOTAL ASSETS	<u>\$ 16,464</u>	<u>\$ 712,229</u>	<u>\$ 728,027</u>	<u>\$ 666</u>
 <u>LIABILITIES</u>				
Due to general fund	\$	\$ 132,468	\$ 131,802	\$ 666
Due to other governmental units	<u>16,464</u>	<u>579,761</u>	<u>596,225</u>	<u></u>
TOTAL LIABILITIES	<u>\$ 16,464</u>	<u>\$ 712,229</u>	<u>\$ 728,027</u>	<u>\$ 666</u>

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Township Board
Township of Sebewa
Ionia County, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

June 24, 2004